

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2014

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

TABLE OF CONTENTS

June 30, 2014

	<u>Exhibit</u>	<u>Page</u>
INDEPENDENT AUDITORS' REPORT		1
FINANCIAL STATEMENTS		
Statement of Financial Position	A	3
Statement of Activities	B	4
Statement of Cash Flows	C	5
Notes to Financial Statements	D	6
SUPPLEMENTARY INFORMATION	<u>Schedule</u>	
Schedule of Functional Expenses	A-1	12
SPECIAL INDEPENDENT AUDITORS' REPORTS		
Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		14
Schedule of Findings and Questioned Costs		16
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)	<u>Schedule</u>	
Independent Accountants' Report on Applying Agreed-upon-Procedures - Performance and Statistical Data		19
General Fund Instructional and Support Expenditures and Certain Local Revenue Sources	B-1	25
Education Levels of Public School Staff	B-2	26

SCHEDULES REQUIRED BY STATE LAW (Continued)
(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)

	<u>Schedule</u>	<u>Page</u>
Number and Type of Public Schools	B-3	27
Experience of Public Principals, Assistant Principals, and Full-Time Classroom Teachers	B-4	28
Public School Staff Data	B-5	29
Class Size Characteristics	B-6	30
Louisiana Educational Assessment Program (LEAP)	B-7	31
Graduation Exit Exam (GEE)	B-8	32
The iLEAP Tests	B-9	33



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Louisiana Key Academy
Baton Rouge, Louisiana

We have audited the accompanying financial statements of **LOUISIANA KEY ACADEMY** (a non-profit organization) (the School) which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **LOUISIANA KEY ACADEMY** as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

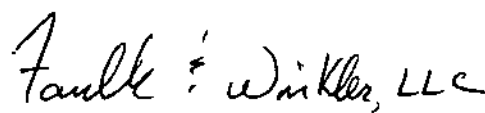
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Performance and Statistical Data, included on pages 24 through 32, is not a required part of the basic financial statements but is supplementary information required by Louisiana State Law (R.S. 24:514). Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. We have applied limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon-Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2015, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.


Certified Public Accountants

Baton Rouge, Louisiana
February 6, 2015

LOUISIANA KEY ACADEMY
 Baton Rouge, Louisiana
STATEMENT OF FINANCIAL POSITION

June 30, 2014

(See Independent Auditors' Report)

ASSETS

CURRENT ASSETS

Cash	\$ 351,015
Grants receivable	84,774
Prepaid expenses	<u>12,554</u>
Total current assets	448,343

PROPERTY, net

1,514,338

Total assets

\$ 1,962,681

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 106,817
Accrued expenses	6,359
Line of credit	<u>1,062,522</u>
Total current liabilities	<u>1,175,698</u>

NET ASSETS

Unrestricted	525,558
Temporarily restricted	<u>261,425</u>
Total net assets	<u>786,983</u>
Total liabilities and net assets	<u><u>\$ 1,962,681</u></u>

The accompanying notes to financial statements
 are an integral part of this statement.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

(See Independent Auditors' Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUES AND SUPPORT			
Grants:			
MFP	\$ 1,399,177	\$ -	\$ 1,399,177
Federal grants	75,479	-	75,479
State and local grants	56,648	-	56,648
Contributions	147,926	296,075	444,001
Food and other services	<u>34,062</u>	<u>-</u>	<u>34,062</u>
Total revenues and support	1,713,292	296,075	2,009,367
Changes in net asset restrictions:			
Released from restrictions	<u>84,650</u>	<u>(84,650)</u>	<u>-</u>
Total revenues, support and reclassifications	<u>1,797,942</u>	<u>211,425</u>	<u>2,009,367</u>
EXPENSES			
Program instruction	918,855	-	918,855
Operations and maintenance	237,786	-	237,786
Food services	69,745	-	69,745
General and administrative	<u>368,591</u>	<u>-</u>	<u>368,591</u>
Total expenses	<u>1,594,977</u>	<u>-</u>	<u>1,594,977</u>
Increase in net assets	202,965	211,425	414,390
NET ASSETS			
Beginning of year	<u>322,593</u>	<u>50,000</u>	<u>372,593</u>
End of year	<u>\$ 525,558</u>	<u>\$ 261,425</u>	<u>\$ 786,983</u>

The accompanying notes to financial statements
are an integral part of this statement.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

For the year ended June 30, 2014

(See Independent Auditors' Report)

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 414,390
Adjustments for non-cash items:	
Depreciation	60,027
Change in operating assets and liabilities:	
Accounts receivable and prepaid expenses	(50,792)
Accounts payable and other liabilities	<u>105,322</u>
Net cash provided by operating activities	528,947

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment	(1,326,778)
-----------------------	-------------

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in line of credit	<u>1,062,522</u>
Net increase in cash	264,691

CASH

Beginning of year	<u>86,324</u>
End of year	<u>\$ 351,015</u>

Supplemental disclosure of cash flow information:

Cash paid during the year for interest	<u>\$ 16,171</u>
--	------------------

The accompanying notes to financial statements
are an integral part of this statement.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Louisiana Key Academy (the School) was incorporated on June 18, 2012, as a non-profit corporation under the laws of the State of Louisiana. The School operates under a contract with the Louisiana Department of Education to establish a Type 2 charter school from July 1, 2013 through June 30, 2017, and may be extended for a maximum initial term of five years, contingent upon the results of the School's operations and compliance with regulatory and contractual requirements after the completion of the third year of operation. Louisiana Key Academy is a public, tuition free, charter school for dyslexic students in kindergarten through second grade for year one, increasing to include fourth and fifth grade by year four.

Financial statement presentation

The School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, which are described as follows:

Unrestricted Net Assets are net assets that are for general use and not subjected to restriction.

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that may or will be met by actions of the School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets are net assets subject to donor-imposed stipulations that the School maintain the contribution permanently. The School did not have any permanently restricted net assets at June 30, 2014.

The statement of activities presents expenses of the School's operations functionally between program services, and general and administrative.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for depreciation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues

The School receives a large portion of its revenue from the Minimum Foundation Program (MFP) through the East Baton Rouge Parish School Board. The amount of MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes. The School also receives federal and private sector funding. Federal funds are through the Louisiana Department of Education or the East Baton Rouge Parish School Board. Substantially all revenues are unrestricted as to use.

Private sector funding consists of donations from private foundations and individuals. Contributions are recognized at estimated fair value when the donor makes a pledge to give that is, in substance, an unconditional promise. The School does not recognize a conditional promise to give until the conditions upon which the promise depends are substantially met. A promise to give that calls for specific outcomes to be achieved is treated as a conditional promise to give. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the nature of donor restrictions. Substantially all revenues are unrestricted as to use.

Fair value financial instruments

The carrying value of cash, receivables, prepaid expenses, accounts payable, and accrued expenses approximates fair value due to the short-term maturity of these instruments. None of the financial instruments are held for trading purposes.

Cash

Cash, for purposes of the statement of cash flows, consists of cash on hand, demand deposit and savings accounts. The School typically maintains cash in a local bank that may, at times, exceed FDIC insured limits of \$250,000. Management believes the risk to be minimal.

Receivables

The receivables are stated at the amount management expects to collect. Management considers these amounts to be collectible; therefore, no allowance has been recorded. At June 30, 2014, the School had no receivables outstanding for longer than 90 days.

Property

A capitalization threshold of \$5,000 has been established. Property is recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful life of the asset. Expenditures for maintenance, repairs and minor renewals are expensed as incurred.

Functional expenses

The School allocates its expenses on a functional basis among its various programs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-exempt status

The School is a non-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School follows the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management of the School believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax issues. The School's open audit periods are 2012 through 2014.

Paid time off

The School's policy states that eligible full-time regular, non-hourly employees earn five days of personal days per school year, not to be carried over to a subsequent year. Time not used is compensated at \$100 per day at year end.

Advertising

Advertising expenses of \$30,044 were incurred during 2014.

Subsequent events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, which was the date the financial statements were available to be issued.

NOTE 2 - CONCENTRATIONS

The School receives the majority of its operating revenue from state and federal grants, and contributions from private foundations and individuals. The remaining revenue is received for meal services and reimbursement for after-school care. The percentage of revenue and receivables from these sources are as follows:

	<u>Revenues</u>	<u>Receivables</u>
State and Local Grants	72%	89%
Federal Grants	4%	11%
Contributions	22%	0%
Other	2%	0%
Total	<u>100%</u>	<u>100%</u>

NOTE 3 - COMMITMENTS

Building Lease

The School has entered into a lease agreement for school space expiring July 1, 2023. The annual rental rate is \$4 per square foot based on 11,340 square feet of space for the first year and 16,659 square feet of space for years two through five. Additionally, the rental payment each month will include \$3,220 of shared expenses for maintenance, taxes and insurance. The rental period began in August 2013 and rental expense for the year ended June 30, 2014 was \$77,000. The lease commitment for years six through ten will be negotiated or will increase each year by \$.50 per square foot.

Technology and Technology Service Lease

The School has a lease obligation related to technology equipment and related servicing which is considered to be an operating lease. The lease term is 24 months, ending July 31, 2015 and approximately \$30,000 was expensed for 2014.

The future operating lease commitments are as follows:

Year	Building Lease	Technology Lease	Total
2015	\$ 66,636	\$ 44,400	\$ 111,036
2016	66,636	-	66,636
2017	66,636	-	66,636
2018	66,636	-	66,636
2019-2023	458,123	-	458,123
Total	<u>\$ 724,667</u>	<u>\$ 44,400</u>	<u>\$ 769,067</u>

NOTE 4 - PROPERTY

Equipment, related service lives, and accumulated depreciation at June 30, 2014 were as follows:

	Estimated Service Lives	Amount
Leasehold improvements	15 years	\$ 969,555
Construction in progress	-	590,362
Equipment	7 years	14,448
		1,574,365
Less accumulated depreciation		(60,027)
		<u>\$ 1,514,338</u>

Depreciation expense was \$60,027 for the year ended June 30, 2014.

NOTE 5 - LINE OF CREDIT

The School has a variable interest rate (2.402% at June 30, 2014) revolving line of credit with a borrowing limit of \$1,100,000 as of June 30, 2014. The outstanding balance on the line of credit was \$1,062,522 at June 30, 2014. This debt is secured by marketable securities held in the name of a local supporter.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets

During 2014, changes in temporarily restricted net assets were as follows:

	Beginning of Year	Increases	Decreases	Remaining Net Assets
Renovations	\$ 50,000	\$ -	\$ (50,000)	\$ -
Walton Foundation grant	-	250,000	(10,800)	239,200
Community outreach	-	36,000	(16,000)	20,000
Technology	-	7,850	(7,850)	-
Playground	-	2,225	-	2,225
	<u>\$ 50,000</u>	<u>\$ 296,075</u>	<u>\$ (84,650)</u>	<u>\$ 261,425</u>

NOTE 7 - PENSION PLAN

The School sponsors a salary deferral plan that has been established under Section 403(b) of the Internal Revenue Code. Under the provisions of the plan, employees may elect to defer a maximum of \$17,000 annually. Salary deferrals, contributions and the related earnings are 100% vested and non-forfeitable. The School makes contributions to the Plan only for employees with a written employment contract and in the amount stipulated by the contract.

The assets are held in a trust fund established under the Plan. The responsibility for financial administration of the plan is with ING Life Insurance and Annuity Company.

NOTE 8 - FUND RAISING INCOME AND EXPENSES

The funds raised by the School's annual gala are included in operations. The expenses, attributable to the annual gala were \$9,504 and are netted against income which is included in contributions.

SUPPLEMENTARY INFORMATION

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended June 30, 2014

(See Independent Auditors' Report)

	Function				
	School Activities				
	Program	Operations and Maintenance	Food Services	General and Administrative	Totals
Salaries and wages	\$ 659,394	\$ -	\$ -	\$ 188,715	\$ 848,109
Payroll taxes	47,812	-	-	14,086	61,898
Retirement contributions	18,427	-	-	5,341	23,768
Insurance	58,663	-	-	38,859	97,522
Rent	-	77,061	-	-	77,061
Food and beverage	-	-	68,020	-	68,020
Technology	19,387	37,053	-	9,620	66,060
Depreciation	-	60,027	-	-	60,027
Professional services	51,956	70	-	-	52,026
Materials and supplies	29,499	3,115	-	18,512	51,126
Repairs and maintenance	-	40,272	-	-	40,272
Utilities	-	20,188	-	11,694	31,882
Advertising	-	-	-	30,044	30,044
Before and after school	25,199	-	-	-	25,199
Consultants	-	-	-	17,040	17,040
Interest	-	-	-	16,171	16,171
EBRPS administrative fee	3,469	-	-	-	3,469
Travel	2,667	-	-	604	3,271
Dues and subscriptions	-	-	-	1,060	1,060
Other	2,382	-	1,725	16,845	20,952
Total expenses	\$ 918,855	\$ 237,786	\$ 69,745	\$ 368,591	\$ 1,594,977

Special Independent Auditors' Report

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

June 30, 2014



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Louisiana Key Academy
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **LOUISIANA KEY ACADEMY** (the School) (a non-profit organization) which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2014-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Louisiana Key Academy's Response to Findings

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of the Board of Directors, management, state and federal granting agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



Certified Public Accountants

Baton Rouge, Louisiana
February 6, 2015

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2014

1) Summary of Auditor's Results:

A) The type of report issued on the financial statements: **Unqualified opinion.**

B) A significant deficiency in internal control was disclosed by the audit of financial statements: **2014-2.**

Material weakness: **2014-1.**

C) Noncompliance which is material to the financial statements: **None.**

2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2014-1 and 2014-2.**

3) Findings and responses relating to federal awards: **None.**

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2014

4) FINDINGS – FINANCIAL STATEMENT AUDIT

2014-1 Preparation of Financial Statements and Financial Oversight

Observation: The School relies on its auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, the auditors cannot be considered part of the School's internal control structure; however, design of the internal control structure does not otherwise include procedures to prepare external financial statements and related disclosures in conformity with U.S. generally accepted accounting principles.

Additionally, during the audit of the financial statements, entries to adjust the accounts for the 2014 financial statements which decreased net assets by \$62,780 were made as follows:

- To reverse revenue which was recorded in the current year but was related to 2013 for \$30,136, decreasing the change in net assets.
- To capitalize property additions and record depreciation expense, negatively effecting the current year change in net assets by \$32,644.

Recommendation: Since the School is satisfied with using its auditing firm to prepare the external financial statements and understands that this matter will continue to be reported, no change is recommended. In regards to the School's closing process, we found that there was turnover in the financial management of the School in August of 2013. We found that the School's financial reporting subsequently improved. However, management should seek the assistance of a certified public accountant to review its internally and externally prepared financial statements for reasonableness and accuracy to minimize year-end adjustments.

Management's corrective action plan: Management understands that this deficiency results from professional standards that have been adopted by the accounting profession. However, the School will continue to use the auditing firm to prepare external financial statements. Finally, management agrees with the proposed adjusting journal entries and will post them to the School's records.

2014-2 Lack of Segregation of Duties

Observation: The segregation of duties is not sufficient to have effective internal control over financial reporting, which is due to the limited number of employees involved in the accounting process. Personnel responsible for preparing and approving transactions also have the responsibility for recording and reconciling transactions in the accounting records. Our understanding is that in an effort to strengthen controls, the Finance Committee and the Board review the financials each month and compare them to the operating budget. While this review is helpful, there are some additional steps that can be incorporated to strengthen the control system.

Recommendation: We recommend that management continue to delegate responsibilities to other administrative staff to enhance internal control through segregation of duties. Specifically, we have the following recommendations:

- Review of bank statements, including cancelled checks, by a board member and member of management who is independent of preparation of disbursements and bank reconciliation processes,
- Monthly review of bank reconciliations by a board member who is independent of the reconciliation process,
- Purchase of a fidelity bond,
- Review of all journal entries recorded in the accounting system.

Management's corrective action plan: Management intends to pursue segregating responsibilities.

SCHEDULES REQUIRED BY STATE LAW
(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Louisiana Key Academy
Baton Rouge, Louisiana

Dear Board Members:

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of **LOUISIANA KEY ACADEMY** and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of **LOUISIANA KEY ACADEMY** and to determine whether the specified schedules are free of obvious errors and omissions as required Board of Elementary and Secondary Education (BESE) Bulletin. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

Schedule B-1: General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures
 - Total General Fund Equipment Expenditures
 - Total Local Taxation Revenue
 - Total Local Earnings on Investment in Real Property
 - Total State Revenue in Lieu of Taxes
 - Nonpublic Textbook Revenue
 - Nonpublic Transportation Revenue

Exceptions Noted: None

Schedule B-2: Education Levels of Public School Staff

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule B-4) to the combined total number of full-time classroom teachers per this schedule and to school board supporting payroll records as of October 1.

Exceptions Noted: None

3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule B-4) to the combined total of principals and assistant principals per this schedule.

Exceptions Noted: None

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule. We traced each entry on the schedule to the individual's teaching certificate issued by a State Department of Education to determine if the individual's education level was properly classified on the schedule.

Exceptions Noted: None

Schedule B-3: Number and Type of Public Schools

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application.

Exceptions Noted: None

Schedule B-4: Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule and traced each entry on the schedule to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Exceptions Noted: None

Schedule B-5: Public School Staff Data: Average Salaries

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced all teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

Exceptions Noted: None

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

Exceptions Noted: None

Schedule B-6: Class Size Characteristics

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule B-3 data, as obtained in procedure 5. We then traced each class to the October 1 roll books for those classes and determined if the class was properly classified on the schedule.

Exceptions Noted: None

Schedule B-7: Louisiana Educational Assessment Program (LEAP)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by Louisiana Key Academy.

Exceptions Noted: Louisiana Key Academy did not have classes in the grades applicable.

Schedule B-8: Graduation Exit Examination (GEE)

11. The Graduation Examination (GEE) is no longer administered. This schedule is no longer applicable.

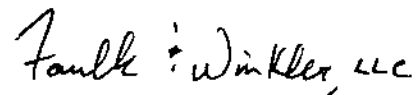
Schedule B-9: iLEAP Tests

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by Louisiana Key Academy.

Exceptions Noted: Louisiana Key Academy did not have classes in the grades applicable.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of **LOUISIANA KEY ACADEMY**, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink that reads "Faulk & Winkler, LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Baton Rouge, Louisiana
February 6, 2015

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA) AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Schedule B-1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule B-2 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principal's with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule B-3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule B-4 - Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers

This schedule includes the number of years of experience in teaching for assistant principals, principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule B-5 - Public School Staff Data: Average Salaries

This schedule includes average classroom teachers salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule B-6 - Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual School Report (ASR).

Schedule B-7 - Louisiana Educational Assessment Program (LEAP)

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

Schedule B-8 - Graduation Exit Examination (GEE)

The Graduation Exit Examination (GEE) is no longer administered. This schedule is no longer applicable.

Schedule B-9 –iLEAP Tests

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, and 7 for each district. The summary score reported is the National Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. This schedule includes three years of data.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
For the year ended June 30, 2014

General Fund Instructional and Equipment Expenditures**General Fund Instructional Expenditures:**

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 386,446	
Other Instructional Staff Activities	196,351	
Instructional Staff Employee Benefits	110,130	
Purchased Professional and Technical Services	17,778	
Instructional Materials and Supplies	71,422	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities		782,127

Other Instructional Activities		25,739
--------------------------------	--	--------

Pupil Support Activities	-	
--------------------------	---	--

Less: Equipment for Pupil Support Activities	-	
--	---	--

Net Pupil Support Activities		-
------------------------------	--	---

Instructional Staff Services	34,938	
------------------------------	--------	--

Less: Equipment for Instructional Staff Services	-	
--	---	--

Net Instructional Staff Services		34,938
----------------------------------	--	--------

School Administration	227,968	
-----------------------	---------	--

Less: Equipment for School Administration	-	
---	---	--

Net School Administration		227,968
---------------------------	--	---------

Total General Fund Instructional Expenditures	\$ 1,070,772	
---	--------------	--

Total General Fund Equipment Expenditures	\$ -	
---	------	--

Certain Local Revenue Sources

Local Taxation Revenue:

Constitutional Ad Valorem Taxes	\$ -	
Renewable Ad Valorem Tax	-	
Debt Service Ad Valorem Tax	-	
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-	
Sales and Use Taxes	-	
Total Local Taxation Revenue		-

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	-	
Earnings from Other Real Property	-	
Total Local Earnings on Investment in Real Property		-

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax	-	
Revenue Sharing - Other Taxes	-	
Revenue Sharing - Excess Portion	-	
Other Revenue in Lieu of Taxes	-	
Total State Revenue in Lieu of Taxes	\$ -	

Nonpublic Textbook Revenue	\$ -	
----------------------------	------	--

Nonpublic Transportation Revenue	\$ -	
----------------------------------	------	--

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

Education Levels of Public School Staff

As of October 1, 2013

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	%	Number	%	Number	%	Number	%
Less than a Bachelor's Degree	-	-	-	-	-	-	-	-
Bachelor's Degree	3	33%	-	-	-	-	-	-
Master's Degree	4	44%	-	-	-	-	-	-
Master's Degree + 30	1	11%	-	-	1	100%	-	-
Specialist in Education	1	11%	-	-	-	-	-	-
Ph. D. or Ed. D.	-	-	-	-	-	-	-	-
Total	9	100%	-	-	1	1	-	-

See independent accountants' report on applying agreed-upon procedures.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

Number and Type of Public Schools

For the year ended June 30, 2014

<u>Type</u>	<u>Number</u>
Elementary	1
Middle/Jr. High	-
Secondary	-
Combination	-
Total	<u>1</u>

Note: Schools opened or closed during the fiscal year are included in this schedule.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers
As of October 1, 2013

	<u>0-1 Yr.</u>	<u>2-3 Yrs.</u>	<u>4-10 Yrs.</u>	<u>11-14 Yrs.</u>	<u>15-19 Yrs.</u>	<u>20-24 Yrs.</u>	<u>25+ Yrs.</u>	<u>Total</u>
Assistant Principals	-	-	-	-	-	-	-	-
Principals	-	-	-	-	-	-	1	1
Classroom Teachers	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>4</u>	<u>9</u>
Total	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>5</u>	<u>10</u>

See independent accountants' report on applying agreed-upon procedures.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

Public School Staff Data: Average Salaries
For the year ended June 30, 2014

<u>Average Classroom</u>	<u>Salary (a)</u>	<u>Salary (b)</u>
Teachers' Salary		
Including Extra Compensation	\$ 42,938	\$ 42,938
 <u>Average Classroom</u>		
Teachers' Salary		
Excluding Extra Compensation	42,938	42,938
 <u>Number of Teacher Full-time</u>		
Equivalents (FTEs) used in		
Computation of Average Salaries	9	9

(a) All classroom teachers

(b) Classroom teachers excluding ROTC, rehired retirees and flagged salary reductions.

Note: Figures reported include all sources of funding (i.e., federal, state, and local) but exclude stipends and employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers; some teachers may have been flagged as receiving reduced salaries (e.g., extended medical leave); and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

Class Size Characteristics

As of October 1, 2014

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	%	Number	%	Number	%	Number	%	Number
Elementary	100%	9	-	-	-	-	-	-
Elementary Activity Classes	-	-	-	-	-	-	-	-
Middle/Jr. High	-	-	-	-	-	-	-	-
Middle/Jr. High Activity Classes	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-
High Activity Classes	-	-	-	-	-	-	-	-
Combination	-	-	-	-	-	-	-	-
Combination Activity Classes	-	-	-	-	-	-	-	-

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

Louisiana Educational Assessment Program (LEAP)

For the year ended June 30, 2014

This schedule is not applicable to Louisiana Key Academy.

LOUISIANA KEY ACADEMY

Baton Rouge, Louisiana

Graduation Exit Examination (GEE)

For the Year Ended June 30, 2014

The Graduation Exit Examination is no longer administered, therefore this schedule is no longer applicable.

LOUISIANA KEY ACADEMY
Baton Rouge, Louisiana

iLEAP Tests
For the year ended June 30, 2014

This schedule is not applicable to Louisiana Key Academy.